The MORTGAGE BANKER

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People and Events

In his address opening the New York Clinic, President Byron V. Kanaley paid tribute to this year's Clinic committee which arranged the meeting.

"Members of this Committee, Allyn R. Cline, Houston; John C. Phillips, Pittsburgh; Aubrey M. Costa, Dallas; George H. Dovenmuehle, Chicago; and John C. Thompson, Newark, Chairman, are to be congratulated on arranging this excellent program. Thanks are due in full measure to the New Jersey MBA which cooperated with the National Association in making it possible.

"There is an unusual interest in mortgage banking this year. We are faced with great problems. I have just come from a three days' convention of our Texas Chapter. This group had an excellent meeting with around 300 in attendance from every part of that great state. Like interest is manifested everywhere in the country.

"I think it can be said fairly that MBA has reached a point in its development where it presents a medium that can serve efficiently in protecting and fostering the best interests of the mortgage business of the United States. The character of our membership, I think, is impressive. We have now every life insurance company in the country with assets of over $50,000,000 each. This membership represents over $70,000,000,000 in assets. We have 125 life insurance companies, over 200 banks and over 50 title and trust and guaranty companies. But the nucleus and backbone of the National Association is the private mortgage lender, our more than 600 mortgage men, scattered through-

(Continued back page)

FHA Interest Rate, Prefabrication and G. I. Loans Reviewed at MBA's New York Clinic

Time and place: April 29 and 30, 1946, Waldorf-Astoria Hotel, New York.

Occasion: MBA's 1946 Eastern Mortgage Clinic.

Highlights of what was said:

We face the biggest era of home building this country has ever known but before we get well into it, there are many hazards to overcome, difficulties to avoid.

What's holding us up now more than any other one thing is OPA's price policies.

Prefabrication—the kind we're talking about and seeing these days—holds no threat to the building industry.

The only thing that can give the kiss of death to Wilson Wyatt's plan is failure of labor, government and management to agree.

Interest rates are the lowest ever—and there's precious little reason now to expect a rise.

It's up to us, the lenders of this country, to put this G.I. program over and if we fail, it's going to be "just too bad."

The life companies aren't going to be seeking FHAs with anything like the zeal they are now (if they buy them at all!) if the interest rate is busted.

The "prevailing wage" amendment in the Wagner-Ellender-Taft Bill will, if it remains and the law is enacted, sound the death knell for FHA.

And would it be a good idea to do away with many functions of FHA, make it more like what the VA represents in lending, and thus save the agency?

Pre-fab House Manufacturer Thinks We Have the Wrong Slant on Public Housing Issue

THESE are a few of the things the 360 MBA members and other mortgage men from all over the country heard discussed at the New York Clinic. A review of what many thought was the Association's best Clinic is in order. First, to the session devoted to **What's Ahead in the Home Building Field.**

Declaring that what this country needs more than anything else is a home that can be built and sold for $800 per room, **J. C. Taylor, Jr.** president, American Houses, Inc. told members that he believes this objective will come close to being realized in the next two years.

"What we need is a realistic housing program that gets away from conditions where those who believe in public housing clash at every turn. The private industry group needs to admit that public housing is a necessary part of our program as it exists today. We need firm commitments to contractors. We need a real program for rental housing with the opportunity for rent and sale in the same project."

Continuing, Taylor declared that the nation is in an unprecedented period of confusion and said that "what people pay for housing will depend on what they earn and not on what housing costs. Private industry and private financing can expect to do the job which lies ahead to the point where the price they need for sale or rent matches individual earning power.

"In the field where private industry cannot construct houses for sale and rent at a price people can afford, the job will be done with the subsidy commonly known as public housing. That there is a place for public housing in our scheme need not alarm us. What concerns me most is the belief that we are going to witness a very rapid growth in public housing, a growth brought about by the failure of the construction industry to do a real job in bringing costs down. We have for years followed an antiquated method in financing homes. Homes for rent or sale had to be sold before permanent financing could be arranged. We have had no real program for construction of rental housing. There has been no opportunity to build housing to a stockpile as in the production of other durable goods. Private industry failed to correct this situation and, to that extent, missed an opportunity to lower costs and enlarge their activity.

"Codes and restrictions, in many cases, prevent mass operations. As long as restrictive practices are emphasized by local groups, the construction industry will tend to remain a series of small operations and this helps to perpetuate inefficient distribution.

"All this adds up to a rather pessimistic outlook but I feel it is a fairly accurate picture of the trend for the immediate future. There are two trends which will counteract this movement in time. If manufacturers of materials and equipment continue to steer the bulk of their output for housing through retail channels, large contractors, or groups of smaller ones, will control the production of these materials."

Summarizing his outlook for the future, Taylor declared that the over-all picture is "very bright."

"For 1947 and 1948, I foresee a rapid growth of public housing because I do not believe that private industry is gaining ground as measured by the scope within which it operates—but rather is going the other way. The costs of construction, related to what they should be, are rising and, based upon what we can see today, will continue to do so through 1947 and 1948."

Douglas Whitlock Says OPA Price Policies Big Obstacle in Home Building Program

Douglas Whitlock, chairman of the advisory board of Producers Council, had our members sitting on the edge of their chairs in the Waldorf's plushy Starlight Roof when he declared flatly that the number of houses the veterans get this year will be determined solely by OPA price policies.

"Enough production to build 100,000 additional homes was lost in recent months. Even today, more than eight months after the end of the war, production of some key home building materials is 50 per cent below capacity, whereas the building product industry by this time could have been producing materials at a rate sufficient to complete the Wyatt program and care for $9 billion of non-housing construction in addition.

"If the real objective of the government is to provide as many new homes as possible, Congress should give OPA a mandate providing an automatic pricing formula which would permit manufacturers to get into maximum production without delay. In the meanwhile, Mr. Wyatt should lose no time in ordering needed increases to be made, using the authority given him by the President last January 16. When there is a full and free flow of those low-priced products, the cost of home building will drop sharply.

"Building costs will drop because builders then can get standard materials in place of the high-priced luxury lines which now have to be used in many instances, because there no longer will be any need to buy on the black market when the flow of materials is stepped up, and because builders no longer will experience costly delays in construction due to the shortage and late delivery of materials. These delays are adding greatly to the cost of the finished house.

"Unfortunately, there are some officials in the government who would rather retain and expand controls over industry than get homes built. So long as that philosophy prevails, all-out home building will be impossible.

"Reconversion of building product plants is completed and manufacturers stand ready to produce materials for low-cost homes as fast as OPA pricing policies will permit," Whitlock said.

There is ample capital to finance home building, builders and contractors are ready for all-out home construction, there will be sufficient labor, and existing manufacturers have ample plant capacity to produce all needed home-building materials. The OPA is the one question mark in the veterans' housing program, he continued.

"Manufacturers will do all in their power to produce maximum quantities of all materials and equipment needed for home construction which can be produced without loss. However, there is no certainty that Housing Expediter Wyatt's goal of 1,200,000 new dwelling units this year can be met, because of the long delay in revision of ceiling prices.

"It is unfortunate that more than three months had to be lost while government housing and pricing officials held back on ceiling price adjustments in their effort to force the adoption of the plan for subsidizing building material manufacturers instead of revising prices.

Present Pre-fab House No Threat to Builders

That the type of prefabricated housing now generally in use and being most talked about at the moment is no threat to the building industry was the conclusion drawn by **Edward R. Carr**, president of the Home Builders Association of Metropolitan Washington, D. C.

"The type of prefabrication which is in most general use now—that of taking the same materials we use, prefabricating them at a plant and sending them to the site to be erected—is no threat to our business. It is more costly, much less flexible and will fall of its own weight when materials are in equal distribution — which they definitely aren't now. Builders in many communities have carefully estimated the cost of reproducing the shell you usually buy as 'a house ready to live in' and invariably find that they can produce it for less.

"The 'house' you see advertised for $2500 to $3000 usually ends up costing $7000 to $8000 by the time you put it on a lot and it is ready to move into. I have heard of the new type of walls of fanciful thinness and great strength which will revolutionize our building industry. So far the promise has not materialized. If and when it does, prefabrication may be able to accomplish a great deal in lowered costs."

Carr declared that regardless of what decisions are taken now to speed home building, it will be a long time before builders can depend on an even flow of materials.

"There will be many disturbing factors. HH priorities will not be too easy to get with a sale price acceptable to the builder. Rising costs in the immediate future, after the priority has been granted, due to unforeseen delays and substitute materials and other factors, will present many problems to be ironed out between the builder and the FHA lest the former be squeezed into a disastrous position between his authorized price and his final cost. As materials begin to flow, labor problems will become increasingly difficult."

Wilson Wyatt's Right Hand Man Declares Premium Payments Essential to Program

The only possible impediments to the Wyatt housing proposals are the stubbornness of management, labor or government, **William K. Divers**, special assistant to Wilson Wyatt, administrator of the National Housing Agency and the President's Special Housing Expediter, said. "We are trying to find the right answer. The day we believe the demand is being met and can be met without further controls or government intervention, we will end the controls. We don't want to spend our time hurling invectives at others or singing our praises. We want to tackle the huge housing problems which all parts of the home building industry have to face.

"The veteran isn't interested, or too much concerned, about how we get there or who leads the way. He is concerned with a good home at a reasonable price."

Divers' talk preceded that of Mr. Whitlock's who castigated "government planning" without pulling any punches.

Premium payments are necessary and desirable. Divers defended the premium payment idea, saying that a general increase in prices would be applicable to the total production of any one material while under the premium payment plan increases would only apply to that production above current production.

"Premium payments offer the best method for stimulating producers," Divers said. "Beginning in early 1921 and continuing until early 1923, production of houses started to climb steadily and sharply upward in almost precise correlation with the sharp and steady downward trend in prices. The lesson is plain: inordinate price increases, even if they entice the producer immediately, leave him soon without buyers."

Colean Sees Little Hope for Rate Rise

Monday afternoon MBA members trooped back into the Starlight Roof to hear three authorities discuss what, for many of them, was the most important subject on the agenda—interest rates. All were well thought out addresses but they all ended up with the same general conclusion—no hope right now for a rise in interest rates.

As long as the political philosophy now current in the national capital remains in the ascendant, there is little hope that the present federal policy of maintaining artificially low interest rates will be changed, **Miles L. Colean**, Washington, D. C. housing economist said. The government is determined by one means or another, to maintain a low rate of mortgage interest as the principal method of carrying out its housing and planning objectives and this policy will be changed only when it comes into serious conflict with objectives considered equally important, he declared.

The country is operating under an entirely new interest rate theory, Colean said—the theory that "the rate ought to be any level determined as appropriate for accomplishment of stated objectives."

The first approach, he said, under this new conception of savings and formation of capital has been to form federally-capitalized credit institutions like RFC, HOLC and certain farm credit agencies which do not depend directly on the functioning of the capital markets. This has resulted in a large proportion of urban residential mortgages, a great part of the total of farm loans and a not inconsiderable part of industrial and commercial loans becoming isolated from any serious impact with the so-called market rates of interest.

"Wagner-Ellender-Taft bill, however, contains the first effort to turn FHA insurance into a device for setting rates in accordance with social objectives as determined by the government rather than in accordance with the mechanisms of the market place.

"The lowest rates go with what would normally be considered the highest risks. This contradiction to the normal market adjustment of rates to risk is assumed to be compensated for by varying the degree to which the lender is freed from the risk and responsibility involved in his participation in the program."

$50 Billion Too Much Money to Run U. S.

The supply of money in the hands of the people today would appear to be nearly fifty billion dollars in excess of legitimate business needs, **Robert C.**

Effinger, vice president of the Irving Trust Company, New York, declared.

Mr. Effinger had the same general view of the future of interest rates as that held by Mr. Colean—namely, that under present federal policy, there seems little chance for higher interest rates. The exceedingly low rates prevailing today, he said, are due to "more money in the hands of the people than is needed to carry on the business of the country, the easy money policy of our monetary authorities, competition for loans and investments and to what may prove to be, in many instances, an underestimate of the credit risks involved."

Mr. Effinger's estimate that we have fifty billion dollars more money than is necessary to conduct the country's business was based upon the assumption that we need about the same amount of money now as we did in the last period of high industrial production—that is, in the twenties.

Continuing, he said "our monetary authorities, the treasury and federal reserve officials, have been in no small measure responsible for the current excess of our money supply and the way it has affected interest rates.

"Competition has had a depressing effect on rates, and, when combined with optimism regarding credit risks, has resulted in still lower rates. The result has been that some loans and investments have been made at rates approaching those afforded by government securities where no credit risks are involved—if credit risks are defined as the ability of the borrower to provide the funds needed to meet payments of interest and principal."

Effinger quoted figures he computed from current federal reserve data to show that in the years from 1940 to 1945 the ratio of annual net profits to invested capital for all federal reserve member banks was 8.1 per cent against an average of 8.3 per cent for manufacturing, mining, quarrying, trade, transportation, public utilities, service, construction and finance.

"As against this 8.1 per cent ratio for banks, the ratios for manufacturing and trade, which the commercial banks so largely serve, was 10.2 per cent and 10.4 per cent respectively. This suggests that rates on credit supplied by commercial banks have been at fair rates. But note that the period covered has been one of high industrial activity in which credit losses have been relatively light, and that included in the net profits are exceptionally large security profits. Thus, instead of the net losses which are usually experienced on nonrecurrent accounts, banks have been able to add to their operating earnings."

Donald B. Woodward Says We Have Reached an "Extreme State of Mind" on Interest Rates

Regardless of how economic conditions in this country develop in the immediate future, we are sure to have interest rates "very low in historical terms", according to **Donald B. Woodward**, research assistant to the president of the Mutual Life Insurance Company of New York. He said that if the theory is correct that the country is "economically senile, gravely deficient in investment possibilities and tending to suffocate itself in savings", we will have low rates for a long time and even lower than at present.

"This would be coupled with a diminishing standard of living, heavy deficit financing and increasing restrictions on freedom," he added. "But if the country is economically vigorous and if that vigor is not impaired by misconceived public action, we may, for sometime, have artificially low interest rates and they could be even lower than at present. This could occur by artificially forcing the market rate below the natural rate.

"As a society, we have now reached an extreme state of mind regarding interest rates just as we are again in an extreme state of mind regarding real estate valuations, amounts which can safely be lent and the need for housing. In the late twenties, the promise of capital profit seemed to make the interest rate important and to justify any interest rate whatever. In the thirties, no interest rate made lending seem worth the risk. Now we have reached the extreme point of view that the lower the interest rate, the greater are our chances to live in Utopia."

So the interest rate discussion ended about where it had started except that MBA members had heard three highly interesting expositions of why money is down in the cellar and why it is likely to stay there. And if any one left surprised, he needn't have because on the eve of the opening of the Clinic, Secretary of the Treasury Vinson stated clearly that he was for a continuation of the present low interest rate policy. So what difference does it make what anyone else thinks? was one member's comment. Two days after the last member had left the Astor Gallery (where we held our second day's sessions), **Marriner Eccles** of the Federal Reserve Board made an unscheduled appearance at the Illinois Bankers meeting. Here is what he said:

"I am opposed to any change in the wartime interest rate pattern of ⅞ per cent for short-term government securities and 2½ per cent for long-terms. Private rates might as well fit themselves into that pattern. I'm sure the short-term rate is not going up.

"I'm sure the long-term rate is not going to be any more than the Treasury is now paying, or 2½ per cent."

So that's the way it is. Everyone is sure money isn't going up but no one is willing to hazard a guess it won't go *lower*.

Col. Taylor Asks G. I. Secondary Market

Tuesday morning opened up (just a bit late as is usual the *second* day) with the G.I. Bill up for review. This had been clearly established as the most important thing mortgage men are interested in now. Our pre-Clinic survey indicated that. The first speaker was a man who has been as intimately identified with the legislation as any other man. He is **Col. John Thomas Taylor**, director of the national legislative committee of The American Legion. In the coming period of business expansion which will bring an era of prosperity such as this country has never seen before, mortgage loans under the

G.I. Bill should not involve risks too great for the nation's lending agencies, he said. Col. Taylor said that "we in the American Legion cannot see any reason why the percentage of defaults should increase materially."

Col. Taylor said that "a big volume of G.I. loans is ahead. The full economic impact of the loan title is not being felt due to the lack of building materials. The war ended more quickly than we thought. Reconversion is not an actuality at this time.

"Regarding farms, the best figures show that about one-third are priced at absurdly inflated levels, in another third they are somewhat above what they ought to be while in the last third they are priced at fairly reasonable levels. The department of agriculture informs us that very little really good farm land, on which a loan risk might be taken, is available. There is quite an acreage volume of marginal land but this does not make for the best loan security. As to non-realty loans, these probably will always be made in the least volume. The majority of our people do not go into business but work for others. Many would like to do so, and some veterans will do so successfully, but the business loan must be made on such a basis that it can never be as widely made as home and farm loans."

Taylor said one more thing is needed and that is a "secondary" market or some place where G.I. loan paper can be discounted.

"Almost all states have laws limiting the volume of loans which various lending agencies supervised by them may make. Some would like assurance that if they need liquid funds they can market their G.I. paper. This is especially true of smaller banks. One suggestion is to have RFC buy this paper. It may be possible to do this by regulation rather than law but if law is necessary, we shall go to congress for it although there is no urgency for it now."

(NOTE: Although Col. Taylor did not mention it, MBA previously reported that George Allen, director of the RFC, has advised Sen. Olin Johnston of South Carolina that the RFC will set up a secondary market.)

One of Every Ten Urban Homes Will Carry a G. I. Loan in Next Ten Years, Says Bliss

A prediction that there will be 3 million home loans to veterans in the next ten years under the G.I. Bill was made by **George L. Bliss,** president of the Railroad Federal Savings & Loan Association, New York.

"By that time, there will be a G.I. loan on one out of every ten urban homes in the country," Mr. Bliss declared. "Surely no financial institution engaged in the business of extending home mortgage credits can afford to make plans that overlook participation in an activity of such proportion."

Mr. Bliss said that the loan provisions of the G.I. law have proved practical and workable.

He asserted that there is widespread ignorance of the loan provisions of the G.I. law among veterans, the public and financial institutions, and that as soon as there is a better understanding of the law there will be greater use of the loan provisions than of any other. The cost to the national treasury will be less than for any of the other benefits provided for in the G.I. law, he said.

Mr. Bliss pointed out that thus far approximately 83 per cent of home loans to veterans had been made by savings and loan associations.

Next speaker was **Francis X. Pavesich,** director of the loan guarantee service of the VA, who had furnished the MBA press department with no advance of what he intended to say but spoke from notes.

Some rather suspected fireworks because the day before, the FHA-VA blast had broken in the papers. Some thought that Mr. Pavesich would amplify the statement that prices at which veterans are buying homes are 10 per cent too high. But nothing like it happened. Mr. Pavesich merely said in a quiet way that it was true that veterans are paying too much and that it is the duty of all lenders to do everything to halt this trend. After all, this trend can't be controlled from Washington he said,—it's a community job.

But the lending value of a veteran's prospective home remains as obscure as ever, despite a recent joint VA-FHA statement that all agencies are trying to reach a solution "in keeping with the intent of Congress."

With estimates of veterans' borrowing power ranging from $20 billion to $100 billion over the next 10 years, principally for home loans, observers find little in the statement of the two agencies that would clarify the position of the lenders who negotiate the loans.

While denying that FHA ceiling prices are "generally higher than valuations made by VA appraisers," the joint statement added that "there are and will be such instances, in view of the type of processing permitted."

The session ended with the stirring address of **James W. Rouse** (*published in full next issue*) in which he told mortgage men, in the plainest language, just what this G.I. program means to them and what their responsibilities are.

Keep FHA Separate from Social Plans

Last afternoon was given over to FHA and the Future—"if any", wisecracked a member sitting in the back row. General conclusions were that FHA had done a fine job but was losing its appeal fast.

A warning that in the country's consideration of FHA there must be a sharp line of demarcation between mortgage insurance actuarially determined to be sound and a gratuitous guarantee of mortgages by the federal government for "social objectives", was made by **F. G. Addison, Jr.,** chairman of the American Bankers Association's federal legislative committee and president of the Security Savings & Commercial Bank, Washington, D. C.

He declared that if congress should ever decide that the latter is necessary —and it is now proposed in the Wagner-Ellender-Taft bill—then this guaranty must be recognized as a government obligation "but has no place in any mutual insurance system based upon actuarial charges."

Mr. Addison's opinion as to what FHA ought to do today in "following"

the increase in construction costs was that the agency, as essentially an insurer of mortgages, "should not hazard its reserves" by keeping up with the rising trend.

Banks have a real and continuing interest in FHA, he said. They originated about a half of all FHA 203 loans and over a third of FHA 604 loans and hold in their portfolios 43 per cent of all these loans outstanding at the end of last year. He cautioned, however, that a very large part of the mortgages in the years ahead will originate with operative builders who, he said, find the FHA plan somewhat unattractive at the moment. He explained that some of the reasons for this are that, without FHA, there is less control over the final sales price and that some builders dislike the frequent delays and "red tape" of the FHA system. He said it must be recognized from a bank viewpoint that the volume of FHA mortgages in the immediate future "will be considerably restricted."

What Foley Thinks of Lowering FHA Rate

If the last minute "prevailing wage" amendment which the Senate incorporated in the Wagner-Ellender-Taft bill should remain and also pass the House, then FHA faces very serious difficulties, **Raymond M. Foley**, commissioner of FHA, declared.

"We do not oppose the payment of 'prevailing' wages. We favor it. Our strong objection is based upon our belief that it will not be possible to administer the insured mortgage system on one to four-family houses under it—the administrative difficulties would be tremendous. Lenders would find the question of ultimate insurance of loans, on which they had made advances, subject to factors beyond their control or any practicable control by us. Lenders of all kinds have advised me that they would regretfully have to leave the insured mortgage field if this impediment is placed in their way."

Mr. Foley intimated that, contrary to what some of the speakers had said about interest rates in this afternoon's discussion on FHA, he did not bar the possibility of looking into the matter of the FHA interest rate.

"There is pertinent ground for examination of interest rates. If lenders find the return in interest high enough to permit payment of high finder's fees, 'kick-backs' to builders and high premiums—as have been frequently reported—then they must expect some wonderment as to whether interest rates are higher than they should be."

Foley supported certain subsidy payments declaring that "the Wyatt program contemplates use of both price adjustments and premium payments. It does not contemplate immediate removal of all controls. I believe immediate removal of all controls would invite such chaos as to make the renewal of most rigid controls finally necessary."

As far as "something new" is concerned, George Underwood's address had it all over anything else than anyone brought to the Clinic. His plan for revamping FHA startled many but got them to thinking (***Read it in full in this issue and, in an early issue W. L. Maude's opinion of FHA***).

A. H. Cadwallader, Jr. Elected President of Texas MBA; Group Condems WET Bill

A. H. Cadwallader, Jr., president, Mortgage Investment Corporation, San Antonio, was elected president of the Texas MBA to succeed Donald C. Fitch at the Chapter's annual meeting. T. J. Bettes, president and treasurer of his own firm at Houston, T. A. Robinson, president, First Mortgage Company of Houston, Inc., and C. L. McDonald of the Franklin Life Insurance Company, Dallas, were elected vice-presidents. Alvin E. Soniat, secretary-treasurer, J. E. Foster and Son, Inc., Fort Worth, was again named secretary-treasurer of the Texas Chapter.

Mr. Cadwallader

Board members elected were Oakes Turner, V. C. McNamee, Charles M. Holt, J. D. Ansley, George A. Nicoud, H. A. Crabb, Kemp S. Dargan, Charles N. Peck, D. L. Treadway, Fred L. Flynn, G. R. Swantner, Carroll L. Jones, A. W. Henderson, S. M. Murchison, and J. W. Jones.

The meeting was conducted by retiring president, Mr. Fitch, and featured an address by MBA President Byron V. Kanaley on the work of MBA.

President Kanaley congratulated R. D. (Buck) Walton and those who assisted him in arranging their program. He paid a high tribute both to the State of Texas as a loaning field and to the very able mortgage men in that field. He said he considered Texas as one of the best loaning fields of the future for mortgage investment money of the country because of its great resources, its natural wealth, its steady growth and the forward looking enterprising character of its citizens.

Other prominent speakers were H. Loy Anderson, MBA Washington Counsel; Raymond M. Foley, FHA Commissioner, Washington, D. C.; L. Douglas Meredith, vice-president, National Life of Vermont; Paul Bestor, vice-president, Prudential Life, Newark; and Roy Wenzlick, St. Louis.

The Convention featured clinics on G.I. and FHA loans. W. Carloss Morris, Jr. of Stewart, Burgess & Morris, Houston, and Ralph F. Andrews, regional supervising loan guarantee officer, Veterans' Administration, Dallas, participated in the G. I. clinic, while Douglas Svendson, FHA State Director of Louisiana, New Orleans, discussed postwar FHA Loans. Aubrey M. Costa, vice-president, Southern Trust and Mortgage Company, Dallas, acted as moderator.

The Association discussed the Wagner-Ellender-Taft Bill and concluded that it constituted a further encroachment of government into business and would not, in any way, alleviate the present critical housing emergency. It was resolved that Texas MBA go on record as opposing the bill in its entirety.

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JUNE, 1946

Revamp FHA Entirely!

Drop many of its present functions, streamline it, give the mortgagee more responsibility, and make it adaptable for conditions of the moment

By GEORGE B. UNDERWOOD

AS an originating mortgagee, I am in direct line of fire between the builder, the FHA, and the secondary market—not excluding, incidentally, the mortgagor. What I have to say is based on 12 years of active participation in the FHA insured mortgage lending program, both within the administration and, for the past 10 years, as an originating mortgagee. Probably 80 per cent of the mortgage business today has its inception in companies similar to my own; consequently, we are in a position to make observations on fundamentals as they apply to all phases of mortgage loan procedure.

There is no gainsaying the fact that the FHA has revolutionized and modernized the mortgage business. The monthly-payment plan was not necessarily a new one. It behooved the FHA, however, to popularize the 20 and, yes, the 25 year monthly-payment plan with its budgeted monthly payment, including the collection of interest and amortization as well as taxes and hazard insurance.

Through its subdivision and land-planning department, the FHA has developed outstanding home communities. It has done one of the finest jobs in the history of residential-home planing. FHA has planned and aided in the development of the popular medium-priced home to meet the great need of purchasers in the lower income brackets.

As far as mortgage correspondents are concerned, FHA has done a great job in making liquid mortgage loans which heretofore were limited to only a very narrow market. Several institutions in New Jersey have recently purchased some FHAs in Puerto Rico and at a substantial premium! How amazing that would have been in 1935! The more so, when you consider that the institution, a commercial bank, that bought these mortgages was not a traditional mortgage investor.

FHA was conceived as a method or "priming the pump" in the days of the not forgotten depression. It was created to stimulate and energize the building industry which had slid into an all-time low. That the FHA did a remarkable job goes without saying.

After Pearl Harbor, FHA was selected to meet another emergency. That emergency involved the housing of war workers and primarily those in-migrants who were so badly needed in our great war industries. As a result, Title VI came into being and provided thousands of units for the shelter of war workers. Consider how much more critical our housing situation would be today had it not been for those units erected under the war-housing program (and which we, as mortgagees, ventured into with misgivings). The country owes a vote of thanks to FHA for that program.

Now another emergency is here. We are faced with one of the greatest housing shortages this country has ever experienced. Consider, if you will, the critical need for dwelling space for the returning veteran who was given to understand that he would be faced with no such problem when he returned from the wars. How about our postwar planning? You remember the hours spent in FHA and other groups! Boy, that was something! We were told by the administration we would face a housing problem and do everything within its power to provide shelter for returning veterans. Today, one year after VE Day, this is still the number one "must." Now, what do we find—the Veterans Administration, the savings and loans, and the FHA still at variance and the FHA out of the race.

I am going to recommend what may sound revolutionary, but I believe it is inevitable and must be recognized if FHA is to gait itself to meet the tremendous problem of expansion in building and the terrific shortage of trained personnel within FHA. Surely FHA must be aware of the competition from the other government agencies as well as government-sponsored organizations which are able to get the required representation and legislation to streamline their problems to meet the present national emergency. I refer particularly to VA, savings and loans, as well as RFC. The method of operation of the three agencies is for speed, promptness, and efficiency. All of them take a realistic view of rising costs accentuated by the terrific demand which requires further latitude to meet the present critical situation.

I recommend that the FHA drop many of its present-day functions, retaining its land and subdivision, valuation, and administrative departments, and rely on their approved mortgagees to a greater extent than they now do. The mortgagee could then function along the following lines. Where no subdivision is necessary, the plans and specifications would be submitted to the FHA for a commitment of insurance.

This commitment would be merely a valuation of the property and its improvements and the amount of loan to be insured by FHA upon the completion of the house. In the regulations to be followed by the mortgagee, there could be latitude for the mortgagee to accept certain variations from the plans and specifications which, in the mortgagee's opinion, did not greatly affect or alter the sound value of the house. In the case of an existing property, the commitment would be issued the same as for new construction.

All inspections would be the responsibility of the approved mortgagee from the footings to the final compliance. The mortgagee would be guided by well defined regulations of minimum construction standards which most of us have today anyway. Regular spot checking of the properties would be made by FHA in order to determine that the mortgagees have qualified inspectors at work. When the house is completed and the builder sells it, the mortgagor should meet the requirements as set up by FHA, but to be actually passed on or approved by the mortgagee. After the sale and closing, the commitment and necessary papers would be forwarded to the FHA for endorsement. The commitment would carry the certification of the approved mortgagee that the finished building complied with the plans and specifications originally approved by the FHA.

In following such a course of precedure, FHA would be doing under Title II only what it is doing already under Title I. In other words, passing some of the responsibility of underwriting on to the approved mortgagee. As far as Title I is concerned, it is stated by FHA that losses have been only infinitesimal. Also it is worthwhile for FHA to note that the VA operates practically along the lines which I have suggested. They are modern enough to realize that supervised lending institutions are reliable and they accept the judgment of such institutions to commit them for loan guaranties and without even seeing the legal documents. It is a marvel to me that while the FHA allows its approved mortgagees to practically write the ticket under Title I, and where operations have been most successful and losses infinitesimal, why a similar procedure could not be followed under Title II.

Mr. Underwood

Now what would it accomplish? In my opinion, it will put FHA back in business in a real way and do not think that FHA is not going out the window fast. The average builder today will not accept the delays and red tape involved when they deal with FHA. Whether this is right or wrong, the majority of home builders adopt this non-FHA attitude. Furthermore, it is questionable whether FHA with its present set-up could expeditiously process the large volume of loans which must be created within the next five years. Processing time could be reduced to a matter of hours. And, incidentally, let me say that as long as I can remember, we have had periodic problems in connection with processing time. You must all remember those regular intervals when there was a drive within FHA to cut down processing time. As recent as two months ago, we were experiencing six to seven weeks processing time, and frankly, as long as the present procedure is followed, we are going to continue with the same, constant processing delays. There will always be a reason, be it ever so small, but we'll have it.

One of the most nonsensical things from the viewpoint of the builder and from the viewpoint of the urgency of housing is the rule that new construction cannot start until after issuance of the commitment. This works a severe hardship on the builder who has, no doubt, spent much time in preparation of the project only to find that he must be delayed further awaiting issuance of commitment before undertaking construction. Take the element of weather as one item and then you realize the importance of throwing this requirement into the wastebasket. If the law needs to be changed, I say it is up to the Commissioner to see that it is changed and, as a matter of fact, many feel that it should have been done long ago. These delays were serious during the depression; today they are catastrophic.

Let me throw out some additional suggestions—

First, with the volume of business that has been written, FHA should now be in a position from actuarial data to determine if they can reduce the mortgage insurance premium. Why is it that one government organization can insure the G.I. loan and recognize the full extent of valuation by outside appraisers when FHA not only does not recognize as high a value but burdens the G.I. with an insurance premium to back up its opinion of a many-times lower appraisal?

Second, there is also that old skeleton in the closet—the pay-off penalty or let me call it adjustment. FHA is protected. How about the mortgagee?

(Continued page 3, Chapter News)

About the Contributors

The complete articles in this issue represent the texts of the addresses of two MBA members at the Clinic. They're both known to the membership but just for good measure, here are a few introductory notes tossed in. **George Underwood** has been in investment banking—with the Bankers Trust Company and Guaranty Trust Company of New York. He was with FHA from 1935 to 1937 when he organized the Underwood Mortgage & Trust Co., now the largest FHA lender in New Jersey . . . **W. C. Keesey** is treasurer of The Fidelity Mutual Life Insurance Company in Philadelphia and is in charge of the mortgage loan and real estate departments. He was born in Minnesota, went to school in Iowa and practiced law in the latter state.

LOCAL CHAPTER NEWS

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Don't Drop FHA Rate Below 4½%

Says this life company official who sees a future for the agency but thinks that an important factor in it is continuation of the present interest rate

By W. C. KEESEY

WHEN the National Housing Act came into existence in 1934, most life companies were a little slow in embracing its ideas. A few of them saw the light without much delay and others followed from time to time until now, most all of the companies are active seekers of FHAs—and that is a very mild way of referring to the competition that exists for them today. Just what were the objections to FHA loans on the part of a good many life companies in the beginning? Four were most often heard:

First, many life company mortgage loan men did not think they were sound loans. They looked at them from a mortgage loan standpoint and reasoned that if heavy foreclosures were necessary on 50 per cent to 66 per cent loans, how could a loan be considered sound if it represented 80 per cent to 90 per cent of value.

Second, the yield was not considered particularly attractive, especially after the rate was dropped from 5 per cent to 4½ per cent. We had not quite yet been able to forget that old 6 per cent.

Third, some people were a little afraid of the waste clause.

Fourth, there was some disposition to be opposed on general principles to anything proposed by the New Deal.

The prejudice indicated in the fourth objection gradually disappeared, probably reluctantly in some quarters. As to the first, I think the companies began to look more and more to the insurance feature as the ultimate security and, in fact, some of us might go so far as to entertain a slight suspicion that as mortgage loans, they may work out all right.

At the end of 1945, the life companies had in their portfolios a total FHA investment of $1,379,000,000, or about 43 per cent of the total dollar volume of FHAs outstanding. This would seem to indicate pretty clearly that FHAs are now an attractive investment to most companies. Head office procedures are pretty well established and most irritating differences with correspondents as to servicing and reporting have been ironed out. I believe the life companies have come to respect the job which FHA has done.

With this quick look at the past, what about the future?

I would not have the temerity to say that life companies will not be heavy buyers of FHA loans in the future. I think they will be, if for no other reason than that these loans may continue to be about the most attractive investment opportunity open to them. This contemplates, however, that there will be no change in one of the most important features of FHA loans, other than the insurance itself, and that is the interest rate. It is sincerely to be hoped that there will be no action by FHA to lower the rate. Certainly there should be a reasonable differential in yield to the investor between government bonds and mortgage loans.

W. C. KEESEY

The long term Government 2½'s purchased at par during the War Loan Drives yield 2.50—slightly shaded for very inexpensive head office servicing. If the rate on FHA loans is lowered to 4 per cent or even 4¼ per cent the small differential of slightly over ¼ of 1 per cent is practically wiped out. I realize that the yield might not be reduced in direct proportion to a reduction in the gross interest rate because presumably if the rate was reduced, the loans might be bought at a lower premium but I would not want to bank too heavily on this. If the gross interest rate should be lowered to 4 per cent, life companies would, in my opinion, purchase FHA loans only if there were no other types of legal investments which met their standards.

High grade corporate bonds can still be purchased to yield a little better than long-term governments bought at par and some comparatively attractive preferred stocks to yield around 3½ per cent are catching the interest of a number of companies. Possibly they might continue to buy FHA loans in reduced quantities to keep contact with their correspondents and diversification might also be a factor; but, generally speaking, it is reasonable to assume that if there was no difference in the yield and the risk, the companies would favor the type of investment which involves a minimum of servicing expense.

I have heard some talk that if G.I. loans can be sold at a 4 per cent rate then FHA rates should be reduced to 4 per cent also. I do not think that this necessarily follows. It seems to me only fair to look at G.I. loans from a patriotic point of view. We will handle them if we can, but not necessarily because we like them. Investment in G.I.

loans by those companies permitted to do so should not, in my opinion, lead to the conclusion that the same companies would continue to buy FHA loans at the same yield.

For the future, therefore, Mr. Commissioner, it is to be hoped that we may continue to anticipate an interest rate no lower than 4½ per cent. There seems to be no clamor for a lower rate from borrowers generally and there is a definite need for the rate to remain unchanged from the investor's standpoint.

What about waste clause?

I referred to the waste clause as an original objection to FHA loans. This clause does not seem to have been in the Act itself at any time but has continued to be a part of the Regulations. The Regulations provide that after acquiring title, the mortgagee must tender the property to the Commissioner "undamaged by fire, earthquake, flood or tornado, and undamaged by waste, except as hereinafter in this section provided." It is later provided that "The term 'waste', as used in this section, means permanent or substantial injury caused by unreasonable use, or abuse, and is not intended to include damage caused by ordinary wear and tear", also that this shall not apply if the unpaid balance exceeds 75 per cent of the appraised value at the time the mortgage was made.

I think a good many life insurance people worried about the waste clause for a while but perhaps most of them have forgotten about it by now. It is not my intention to make a major point of it. However, who can say with what strictness this Regulation may be administered or interpreted if we come upon a period of wholesale foreclosures? So I would ask, why is it a part of the law or Regulations anyway? The general purpose of the National Housing Act seems to be to insure the mortgagee against loss by reason of his investment. But what does the mortgagee have to do with waste? With other costs high and yields low, he can hardly be expected to make frequent inspections of the property and even if he did, there is no assurance whatever that he would detect a tendency toward waste before it is actually committed. If payments are made by the mortgagor when due, isn't the mortgagee justified in assuming that no waste is being committed? Whether he is or not, this is a risk which should be covered by the insurance and I respectfully urge FHA to give some thought to it, with a view to eliminating the waste clause entirely.

In the years immediately ahead, I think that FHA should come closer to the sale price in its appraisals. It would appear that its reluctance to do this during the past couple of years has been the chief cause for the decreasing popularity of the FHA loan on the part of builders and mortgage men. Certainly one very important reason which Congress had for passing the National Housing Act was to lure timid capital back into mortgage loans on residential property. There was not much of an appraisal problem at the time the Act was passed. Costs on new construction were low and prices for existing houses were probably at a record low. There was little chance of over-appraising. Today a substantial block of cappital is again timid toward loans on dwellings but for a different reason. In 1934, investors were still somewhat stunned from the avalanche of foreclosures. Today they are also reeling a bit from the rapidity with which prices are swirling upward and many of them cannot quite convince themselves that they should make a two-thirds conventional loan, based upon prices which in many cases are 100 per cent over prewar prices; but even if they would make such a loan, which is the maximum most companies are permitted by law to make, the loan in most instances would probably not be sufficient to meet the borrowers requirements. They will, however, continue to invest in housing if the loans are insured. No new legislation is needed now to lure out this timid capital. The law is already on the books, but insurance of the risk *is* necessary. A realistic attitude toward insuring the risk is essential. We commend FHA for the service it has rendered in the past, but what is it that we most desire now—a record over the years of very few foreclosures or a record of real assistance in residential financing at times when it is most needed?

I am not advocating that FHA should recognize the sale price of an existing home as its value or that it should recognize the sale price of a new home as its value. What I do advocate is that their valuations come substantially closer to these figures. In that way FHA can meet the need of the hour from the investor's standpoint and, at the same time, serve a large body of home buyers who are not G.I.'s and cannot obtain a 100 per cent loan and who do not have the heavy cash down payment required to qualify for a conventional loan.

New Title VI the answer?

It is my understanding that the Patman Bill, now being considered by Congress, re-establishes Title VI with the provision that mortgages are to be based upon value as determined by "Necessary current replacement costs." If such a provision becomes law*, then perhaps that will be the practical answer to the problem. I think it would also mean that there would be very little activity under Title II.

Perhaps one thing which we may look forward to in the future is a lowering of the mortgage insurance premium. It seems to me that this should be done at the first opportunity. Probably everyone has run smack up against this differential between the conventional and FHA loan as a real competitive hazard. Any suggestion on my part as to how much of a reduction should be made would be nothing more than a wild guess but perhaps it may be cut to one-quarter of 1 per cent at some future date. Possibly it may be determined that when an FHA loan has been reduced to, say 60 per cent of the original valuation, the mortgage insurance premium could be reduced to a very nominal figure or even eliminated entirely. This is an actuarial problem which I have no doubt is being given its share of attention.

* It's awaiting the President's signature.

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There is one little matter that there has been considerable griping about and which should be corrected. It has to do with prepayment premium. The small 1 per cent premium which the borrower has to pay—that is if he has to pay it—goes to FHA. Presumably this was considered necessary to partially recompense the insurance fund when a premium-paying loan is lost. But what about the holder of the mortgage? Let's face the fact that he has paid a substantial premium for the loan in addition to time and expense in setting it up on his books. Where is there any injustice in providing for a small additional premium—say 2 per cent or 3 per cent—to be paid to the holder if the loan is paid off during the first five years? Permit the borrower to have a wide open option to prepay, to be sure, but give some consideration also to the position of the real "forgotten man"—the one who has loaned the money. It might be interesting to know that at Fidelity Mutual, the FHA loans paid off during the last three years, had been on our books an average of only two years and ten months. These loans are being paid off at the rate of better than 10 per cent per year and we have the reputation locally of fighting pretty hard to keep our loans.

In the future, as in the past, I suppose we shall have with us that old bugaboo—raiding. In the conventional field, it seems doubtful that we will ever reach the point where we won't raid each others loans because we have no umpire. In the insured field, however, it seems to me that FHA could well afford to play more of the role of umpire than it has in the past—call it policing if you care to. It is just not economically sound to go through all the mechanics and expense to the borrower and lender of taking a loan from one investor only to give it to another. Nobody gains from that little deal—*except* perhaps the man who gets a brand new premium from the new buyer of the loan who, by the way, has just lost a loan to the previous holder of the loan he has just bought. I have a feeling that FHA can do something about this and from the standpoint of the life insurance company holders of FHA loans, I am certain something *should* be done about it.

My observations have had to do chiefly with Title II loans under Section 203. I have had no actual experience with any other type of FHA loan. However, I believe that the field of multiple housing will once again become an important one for FHA activities as soon as the material situation improves and there is relaxation of the OPA rent ceilings. There is something very appealing about getting out $100,000 or $500,000 in one loan, whereas, it would be necessary to make 20 to 100 separate loans on individual dwellings to put out the same amount of money. It costs very little more to service a $500,000 loan than it does to service a $5,000 loan. The problem of cost and yield are definitely in the picture here and because of this angle alone, I think more life insurance companies will be taking a second look at this type of loan.

It appears that Congress may revive Title VI. If it does, new houses built under this Title will probably not be open to the old objection that they are located in outlying spots adjacent to war plants. So far as I can see, there will be no hesitancy on the part of life companies to invest in Title VI loans, if this Title is revived and if it embodies the provision previously referred to regarding valuations, considerable activity may be anticipated.

It is my belief that FHA can continue to be a dominant factor in residential lending for as far ahead as we can see. Confidence has been established and is not likely to be shaken with the type of top management the Administration has had and continues to have today. We have been very favorably impressed by the manner in which Commissioner Foley has approached his task. May we look forward to an increasing effort and disposition to meet current needs and make FHA loans even more attractive to both the mortgagee and the mortgagor.

REVAMP FHA ENTIRELY!

(*Continued from page 8*)

Now for the $64 question. Why can't FHA raise its sights and recognize prevailing cost? In Title VI, prevailing costs were recognized to meet an emergency; today we have a greater one. I know that there is a movement to re-establish Title VI; but it's all from the same pocket—Uncle Sam's. It would appear very inconsistent of us if we were to believe a blast by the VA the other day that FHA valuations for new construction were too high. This is amazing to us on the firing line. Here we are asking the FHA to raise its sights so we can put business on our books under Section 505; and in 7 out of 10 cases in my office we find the FHA commitment considerably under the valuation of VA approved appraisers. At no time have we seen FHA valuations as high as the VA appraisal.

It appears to some of us that the statement by the VA is somewhat inconsistent with the facts and that perhaps the time has come for various government agencies to recognize the excellent independent valuations of FHA and to channel all future G.I. loans in their direction. I am sure that under the system I have outlined that the FHA could easily handle such a volume of loans. The sniping at FHA in Washington which endeavors to cripple it should be stopped. I refer specifically to the Wagner-Ellender-Taft Bill and more particularly that portion in which builders operating under the FHA must pay prevailing wages. This would almost sound the death knell for FHA inasmuch as builders can build without any hindrance under the Veterans Administration as well as the federal savings and loans and other lending institutions.

(Continued from page 1)

out the length and breath of America. We have had a very large growth this year with 92 new applications for membership."

Three hundred and sixty members from 30 states, the District of Columbia and Canada attended the New York Clinic. Those from Canada were **George L. Campbell** and **J. A. Gray** from Sun Life Assurance in Montreal . . . it was the first time we had to "split up" a meeting. The first day we held forth in the Starlight Roof on the 18th floor, next day we went down to the third in the Astor Gallery . . . both are excellent meeting places but the latter is a little to be preferred so that's where we'll be when again we gather in Manhattan . . . **Harold F. Yegge**, chairman of **Chicago MBA's** program committee, and **Joseph Grayson**, chapter president, liked **Jim Rouse's** talk so much they arranged to have him speak at their all-day Clinic May 16 . . . Questioned from the floor about what he thought of **George Underwood's** sweeping FHA proposals, **Commissioner Foley** said he was "interested" but recognized that some of them would require new legislation . . . Mr. Foley, as you might expect, came in for the most questioning of any speaker . . . and one questioner wasn't an MBA member. He was **Winchell Royce**, energetic reporter from the *World Telegram*, who wanted to know why we didn't recognize the trend toward lower rates, etc. . . . And, as invariably happens, names got misspelled on the registration list . . . and this time it would have to be that of **President Byron V. Kanaley** . . . he got listed as Byron V. Kanahy. . . . **James E. McGehee** has resigned as vice president and director of **Marx & Bensdorf, Inc.**, Memphis, to start his own business . . . once president of the **Memphis MBA**, McGehee is well-known to many MBA members. He was one of the original backers of the plan to revive Title VI . . . **Walter R. Clark** has been named manager of the Los Angeles district mortgage loan office of **Pacific Mutual, Walter H. Rolapp**, vice president, announced. Clark, with the Company for 11 years, will head its largest mortgage loan office . . . As an investment for a lending institution, a G. I. loan "is a good piece of paper," **Don L. Tobin**, Ohio Savings and Loan League, recently told **Cincinnati MBA** members at a meeting held in conjunction with two other organizations . . . Chicago's Metropolitan Housing Council re-elected **Ferd Kramer**, president, **Howard E. Green**, vice president, and **Walter L. Cohrs**, treasurer, all MBA members.

FRANK C. EVANS

With sorrow MBA announces the death of our former board member, Frank C. Evans of Crawfordsville, Ind. Mr. Evans was, at one time, one of the most prominent members of the Association and was active in many of the organization's affairs. He was one of Crawfordville's leading citizens and in recent years had retired to devote his time to Boy Scout work. He was attending a regional Scout meeting in Chicago when he was stricken with a heart attack. He was 71 years old. He was a trustee of DePauw University and chairman of its investment committtee and had long been active in other civic projects.

The **New Orleans MBA** gave a luncheon for President Byron V. Kanaley when he visited that city on his way from Texas to New York . . . OPA ceiling prices on certain building materials which have made them unprofitable to the manufacturers are creating shortages which are handicapping builders seeking to construct housing for veterans, **Robert Berkley**, president of the Builders' Guild of St. Louis told **St. Louis MBA** members at their recent meeting.

He also pointed out that approximately 85 per cent of the lumber from Southern mills entering St. Louis is either black market or shipped through some subterfuge. Berkley expressed opposition to public housing and said some veterans have been deprived of needed materials because of the Federal Public Housing Administration.

New York Life has established a housing department under **Assistant Secretary O. L. Nelson** in "recognition of the growing importance of this phase of operations." The Company has two garden-type projects underway, one in New York and the other in Princeton, N. J. . . . **President Byron V. Kanaley** recently had one of the leading articles in *Hospitals*, principal journal serving this field . . . entitled "What to Consider in Seeking a Commercial Loan." Mr. Kanaley analyzed the various factors which an institution should consider in arranging its financing. Mr. Kanaley was selected to write this article because his firm is one of the leaders in making hospital loans . . . **The Bank of Charlotte, N. C.** is opening a mortgage loan department under the direction of **J. Mack Holland**, assisted by **George T. Carey, Jr.** . . . **Harry H. Salk**, formerly with the American National Bank and Trust Company of Chicago, who left to establish his own firm has returned to that institution as head of its mortgage loan department and has been elected assistant vice president . . . he's also secretary and director of **Chicago MBA** . . . also from Chicago comes the announcement that **Greenebaum Investment Co.** and **First Mortgage Corporation** have merged . . . the former is a 91-year old institution headed by **Edgar Greenebaum** and the latter is headed by **Stephen G. Cohn** . . . at **Detroit MBA's** recent meeting, members heard **Charles Oakman**, city alderman, speak on "Governmental Costs and Who Pays" . . .

Because of the pressure of other business, **Grant L. Miller** of Omaha, has had to resign as president of the **Nebraska MBA** and has been succeeded by **George E. Salladin** of Lincoln . . . on the **MBA Calendar** is the Purdue Mortgage Bankers Farm Seminar getting under way at about the time you receive this . . . then the board of governors meeting at Hotel La Salle, Chicago, June 21 with the executive committee meeting the day before . . . the National Agricultural Credit Committee meets in Chicago May 27th . . . **S. M. Waters** will represent MBA . . .